

UNITED WAY OF NEW YORK CITY



**United Way
of New York City**

Financial Statements
(Together with Independent Auditors' Report)

Years Ended June 30, 2017 and 2016

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

UNITED WAY OF NEW YORK CITY
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED June 30, 2017 AND 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way of New York City

We have audited the accompanying financial statements of United Way of New York City ("UWNYC") which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UWNYC as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
December 19, 2017

UNITED WAY OF NEW YORK CITY
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 and 2016

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 2D and 14)	\$ 6,372,666	\$ 4,875,975
Investments (Notes 2E, 2F, 3 and 4)	5,499,061	7,899,311
Campaign receivables, net (Notes 2G, 2I and 5)	3,239,393	4,121,877
Government grants/contracts receivable (Note 2I)	5,372,847	4,114,983
Private grants and contributions receivable, net (Notes 2H and 6)	1,099,093	679,048
Other receivables (Note 2I)	61,135	270,614
Prepaid expenses and other assets (Notes 4 and 7)	905,808	981,900
Total Current Assets	22,550,003	22,943,708
Non-Current Assets		
Endowment investments (Notes 2E, 2F, 3, 4 and 12)	2,137,465	2,824,245
Private grants and contributions receivable, net (Notes 2H and 6)	1,540,000	1,135,000
Capital lease asset and improvements (Note 8)	8,621,649	9,019,503
Property and equipment, net (Notes 2J and 9)	520,373	315,268
Beneficial interest in perpetual trust (Note 12)	506,500	455,309
Total Non-Current Assets	13,325,987	13,749,325
 TOTAL ASSETS	 \$ 35,875,990	 \$ 36,693,033
 LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses (Note 7)	\$ 2,925,515	\$ 2,529,125
Community investment grants and awards payable (Note 2K)	399,314	912,248
Campaign donor designations payable (Notes 2G and 5)	91,017	194,493
Government contract awards payable (Note 2L)	8,166,420	6,783,482
Deferred rent liability (Notes 2M and 13B)	27,163	27,163
Capital lease obligations (Note 8)	193,540	182,297
Capital lease improvements loan payable (Note 8)	39,278	36,996
Total Current Liabilities	11,842,247	10,665,804
Non-Current Liabilities		
Deferred rent liability (Notes 2M and 13B)	679,061	706,241
Unfunded pension liability (Notes 2N and 10)	717,255	3,084,601
Post retirement life insurance liability (Notes 2N and 11)	2,594,235	2,777,212
Capital lease obligations (Note 8)	8,140,998	8,046,118
Capital lease improvements loan payable (Note 8)	2,283,060	2,322,339
Total Non-Current Liabilities	14,414,609	16,936,511
 TOTAL LIABILITIES	 26,256,856	 27,602,315
 NET ASSETS (Note 2B)		
Unrestricted (Note 12):		
Board designated	489,473	489,473
Operations	14,054	1,590,792
Total unrestricted net assets	503,527	2,080,265
Temporarily restricted (Note 12)	6,737,473	4,683,510
Permanently restricted (Note 12)	2,378,134	2,326,943
TOTAL NET ASSETS	9,619,134	9,090,718
 TOTAL LIABILITIES AND NET ASSETS	 \$ 35,875,990	 \$ 36,693,033

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF NEW YORK CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Year Ended June 30, 2017			Total 2017	Total 2016
	Unrestricted	Temporarily Restricted	Permanently Restricted		
OPERATING REVENUE AND SUPPORT:					
Campaigns	\$ 23,826,732	\$ 52,178	\$ -	\$ 23,878,910	\$ 26,616,007
Less: Donor designations	(15,401,258)	-	-	(15,401,258)	(16,408,172)
Less: Provision for uncollectible receivables	(694,092)	-	-	(694,092)	(644,912)
Campaign results, net (Note 5)	<u>7,731,382</u>	<u>52,178</u>	<u>-</u>	<u>7,783,560</u>	<u>9,562,923</u>
Special events revenue	2,965,725	-	-	2,965,725	3,039,172
Less: direct expenses	(476,887)	-	-	(476,887)	(658,767)
Special events, net (Note 20)	<u>2,488,838</u>	<u>-</u>	<u>-</u>	<u>2,488,838</u>	<u>2,380,405</u>
Government grants/contracts	27,155,667	-	-	27,155,667	26,115,256
Individual contributions	1,654,210	1,453,330	-	3,107,540	633,429
Private grants and foundation giving	-	3,844,573	-	3,844,573	4,568,129
Fiscally sponsored funds	-	1,080,000	-	1,080,000	1,530,000
Designations from other United Ways	10,401	-	-	10,401	7,549
In-kind contributions (Note 20)	43,245	-	-	43,245	78,332
Campaign administrative fees	120,419	-	-	120,419	330,597
Investment return used for operations (Note 3)	334,938	102,611	-	437,549	600,796
Other income	366,362	-	-	366,362	92,313
Net assets released from restrictions (Note 12)	<u>4,568,196</u>	<u>(4,568,196)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING REVENUE AND SUPPORT	<u>44,473,658</u>	<u>1,964,496</u>	<u>-</u>	<u>46,438,154</u>	<u>45,899,729</u>
OPERATING EXPENSES:					
Program Services:					
Community investment grants and awards and Hurricane Sandy Recovery Fund (Note 2K)	-	-	-	-	4,476,707
Contract services and other grants	30,062,521	-	-	30,062,521	25,345,702
Community investment services	<u>4,891,707</u>	<u>-</u>	<u>-</u>	<u>4,891,707</u>	<u>5,861,952</u>
Total Program Services	<u>34,954,228</u>	<u>-</u>	<u>-</u>	<u>34,954,228</u>	<u>35,684,361</u>
Supporting Services:					
Management and general	9,903,231	-	-	9,903,231	7,784,861
Fundraising	<u>4,029,566</u>	<u>-</u>	<u>-</u>	<u>4,029,566</u>	<u>4,035,751</u>
Total Supporting Services	<u>13,932,797</u>	<u>-</u>	<u>-</u>	<u>13,932,797</u>	<u>11,820,612</u>
TOTAL OPERATING EXPENSES	<u>48,887,025</u>	<u>-</u>	<u>-</u>	<u>48,887,025</u>	<u>47,504,973</u>
(DEFICIT) SURPLUS OF OPERATING REVENUE AND SUPPORT OVER OPERATING EXPENSES	<u>(4,413,367)</u>	<u>1,964,496</u>	<u>-</u>	<u>(2,448,871)</u>	<u>(1,605,244)</u>
NON-OPERATING ACTIVITIES					
Investment return over (under) amounts appropriated for operations (Note 12)	303,710	89,467	-	393,177	(508,405)
Change in value of beneficial interest in perpetual trust (Note 12)	<u>-</u>	<u>-</u>	<u>51,191</u>	<u>51,191</u>	<u>(46,450)</u>
TOTAL NON-OPERATING ACTIVITIES	<u>303,710</u>	<u>89,467</u>	<u>51,191</u>	<u>444,368</u>	<u>(554,855)</u>
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES	<u>(4,109,657)</u>	<u>2,053,963</u>	<u>51,191</u>	<u>(2,004,503)</u>	<u>(2,160,099)</u>
Pension plan related changes other than net periodic pension cost (Note 10)	2,293,197	-	-	2,293,197	(1,344,646)
Post retirement life insurance plan related changes (Note 11)	<u>239,722</u>	<u>-</u>	<u>-</u>	<u>239,722</u>	<u>(154,432)</u>
CHANGE IN TOTAL NET ASSETS	<u>(1,576,738)</u>	<u>2,053,963</u>	<u>51,191</u>	<u>528,416</u>	<u>(3,659,177)</u>
Net assets, beginning of year	<u>2,080,265</u>	<u>4,683,510</u>	<u>2,326,943</u>	<u>9,090,718</u>	<u>12,749,895</u>
NET ASSETS - END OF YEAR	<u>\$ 503,527</u>	<u>\$ 6,737,473</u>	<u>\$ 2,378,134</u>	<u>\$ 9,619,134</u>	<u>\$ 9,090,718</u>

**UNITED WAY OF NEW YORK CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING REVENUE AND SUPPORT:				
Campaigns	\$ 26,232,648	\$ 383,359	\$ -	\$ 26,616,007
Less: Donor designations	(16,408,172)	-	-	(16,408,172)
Less: Provision for uncollectible receivables	(644,912)	-	-	(644,912)
Campaign results, net (Note 5)	9,179,564	383,359	-	9,562,923
Special events revenue	3,039,172	-	-	3,039,172
Less: direct expenses	(658,767)	-	-	(658,767)
Special events, net (Note 2O)	2,380,405	-	-	2,380,405
Government grants/contracts	26,115,256	-	-	26,115,256
Individual contributions	633,429	-	-	633,429
Private grants and foundation giving	-	4,568,129	-	4,568,129
Fiscally sponsored funds	-	1,530,000	-	1,530,000
Designations from other United Ways	7,549	-	-	7,549
In-kind contributions (Note 2O)	78,332	-	-	78,332
Campaign administrative fees	330,597	-	-	330,597
Investment return used for operations (Note 3)	486,045	114,751	-	600,796
Other income	92,313	-	-	92,313
Net assets released from restrictions (Note 12)	5,572,875	(5,572,875)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	44,876,365	1,023,364	-	45,899,729
OPERATING EXPENSES:				
Program Services:				
Community investment grants and awards and Hurricane Sandy Recovery Fund (Note 2K)	4,476,707	-	-	4,476,707
Contract services and other grants	25,345,702	-	-	25,345,702
Community investment services	5,861,952	-	-	5,861,952
Total Program Services	35,684,361	-	-	35,684,361
Supporting Services:				
Management and general	7,784,861	-	-	7,784,861
Fundraising	4,035,751	-	-	4,035,751
Total Supporting Services	11,820,612	-	-	11,820,612
TOTAL OPERATING EXPENSES	47,504,973	-	-	47,504,973
(DEFICIT) SURPLUS OF OPERATING REVENUE AND SUPPORT OVER OPERATING EXPENSES	(2,628,608)	1,023,364	-	(1,605,244)
NON-OPERATING ACTIVITIES				
Investment return under amounts appropriated for operations (Note 12)	(440,130)	(68,275)	-	(508,405)
Change in value of beneficial interest in perpetual trust (Note 12)	-	-	(46,450)	(46,450)
TOTAL NON-OPERATING ACTIVITIES	(440,130)	(68,275)	(46,450)	(554,855)
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES	(3,068,738)	955,089	(46,450)	(2,160,099)
Pension plan related changes other than net periodic pension cost (Note 10)	(1,344,646)	-	-	(1,344,646)
Post retirement life insurance plan related changes (Note 11)	(154,432)	-	-	(154,432)
CHANGE IN TOTAL NET ASSETS	(4,567,816)	955,089	(46,450)	(3,659,177)
Net assets, beginning of year	6,648,081	3,728,421	2,373,393	12,749,895
NET ASSETS - END OF YEAR	\$ 2,080,265	\$ 4,683,510	\$ 2,326,943	\$ 9,090,718

UNITED WAY OF NEW YORK CITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Year Ended June 30, 2017					Total 2016
	Supporting Services					
	Program Services	Management & General	Fundraising	Total Supporting Services	Total 2017	
Grants, contracts and awards						
Community investment grants and awards and Hurricane Sandy Recovery Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,476,707
Contract services and other grants	30,062,521	-	-	-	30,062,521	25,345,702
	<u>30,062,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,062,521</u>	<u>29,822,409</u>
Personnel						
Salaries	2,515,797	4,761,294	1,882,762	6,644,056	9,159,853	8,537,275
Payroll taxes and benefits (Notes 10 and 11)	695,936	1,239,025	463,490	1,702,515	2,398,451	1,965,294
	<u>3,211,733</u>	<u>6,000,319</u>	<u>2,346,252</u>	<u>8,346,571</u>	<u>11,558,304</u>	<u>10,502,569</u>
Office, occupancy, and professional fees						
Office maintenance and general supplies	64,336	113,582	229,535	343,117	407,453	306,683
Expensed equipment and rentals	26,499	262,794	26,579	289,373	315,872	330,405
Dues and subscriptions	16,620	44,470	42,762	87,232	103,852	87,649
Travel and transportation	34,684	21,220	23,731	44,951	79,635	104,316
Telephone	18,605	15,895	8,562	24,457	43,062	35,168
Insurance	54,702	114,899	36,456	151,355	206,057	196,590
Occupancy	509,350	814,565	336,795	1,151,360	1,660,710	1,674,091
Professional fees (Note 2O)	346,349	1,125,300	411,202	1,536,502	1,882,851	2,078,434
	<u>1,071,145</u>	<u>2,512,725</u>	<u>1,115,622</u>	<u>3,628,347</u>	<u>4,699,492</u>	<u>4,813,336</u>
Events and promotion						
Special events - indirect expenses	12,811	301,604	219,446	521,050	533,861	450,577
General promotion	4,605	25,700	19,066	44,766	49,371	74,356
Meetings, seminars and training	86,323	108,580	69,094	177,674	263,997	267,018
Postage and shipping	8,636	32,925	14,442	47,367	56,003	55,589
Printing and distribution	911	15,033	10,023	25,056	25,967	34,869
	<u>113,286</u>	<u>483,842</u>	<u>332,071</u>	<u>815,913</u>	<u>929,199</u>	<u>882,409</u>
Other expenses						
Depreciation and amortization (Note 9)	50,844	70,548	30,440	100,988	151,832	65,960
Amortization of capital lease assets (Note 8)	135,270	186,992	75,592	262,584	397,854	397,854
Interest expense	195,986	311,571	129,589	441,160	637,146	633,130
Dues paid to national and state organizations	113,443	337,234	-	337,234	450,677	387,306
	<u>495,543</u>	<u>906,345</u>	<u>235,621</u>	<u>1,141,966</u>	<u>1,637,509</u>	<u>1,484,250</u>
TOTAL EXPENSES	<u>\$ 34,954,228</u>	<u>\$ 9,903,231</u>	<u>\$ 4,029,566</u>	<u>\$ 13,932,797</u>	<u>\$ 48,887,025</u>	<u>\$ 47,504,973</u>

**UNITED WAY OF NEW YORK CITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016**

	Year Ended June 30, 2016				Total 2016
	Supporting Services			Total Supporting Services	
	Program Services	Management & General	Fundraising		
Grants, contracts and awards					
Community investment grants and awards and Hurricane Sandy Recovery Fund	\$ 4,476,707	\$ -	\$ -	\$ -	\$ 4,476,707
Contract services and other grants	<u>25,345,702</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,345,702</u>
	29,822,409	-	-	-	29,822,409
Personnel					
Salaries	2,913,571	3,731,893	1,891,811	5,623,704	8,537,275
Payroll taxes and benefits (Notes 10 and 11)	<u>693,697</u>	<u>863,982</u>	<u>407,615</u>	<u>1,271,597</u>	<u>1,965,294</u>
	<u>3,607,268</u>	<u>4,595,875</u>	<u>2,299,426</u>	<u>6,895,301</u>	<u>10,502,569</u>
Office, occupancy, and professional fees					
Office maintenance and general supplies	77,528	86,651	142,504	229,155	306,683
Expensed equipment and rentals	106,339	145,671	78,395	224,066	330,405
Dues and subscriptions	22,935	31,776	32,938	64,714	87,649
Travel and transportation	52,179	32,133	20,004	52,137	104,316
Telephone	18,118	10,130	6,920	17,050	35,168
Insurance	76,355	74,393	45,842	120,235	196,590
Occupancy	650,214	633,506	390,371	1,023,877	1,674,091
Professional fees (Note 2O)	<u>504,242</u>	<u>1,189,848</u>	<u>384,344</u>	<u>1,574,192</u>	<u>2,078,434</u>
	<u>1,507,910</u>	<u>2,204,108</u>	<u>1,101,318</u>	<u>3,305,426</u>	<u>4,813,336</u>
Events and promotion					
Special events - indirect expenses	90,319	108,291	251,967	360,258	450,577
General promotion	19,982	17,354	37,020	54,374	74,356
Meetings, seminars and training	71,460	151,207	44,351	195,558	267,018
Postage and shipping	12,414	19,916	23,259	43,175	55,589
Printing and distribution	<u>8,801</u>	<u>8,486</u>	<u>17,582</u>	<u>26,068</u>	<u>34,869</u>
	<u>202,976</u>	<u>305,254</u>	<u>374,179</u>	<u>679,433</u>	<u>882,409</u>
Other expenses					
Depreciation and amortization (Note 9)	18,344	28,963	18,653	47,616	65,960
Amortization of capital lease assets (Note 8)	156,649	146,666	94,539	241,205	397,854
Interest expense	245,906	239,588	147,636	387,224	633,130
Dues paid to national and state organizations	<u>122,899</u>	<u>264,407</u>	<u>-</u>	<u>264,407</u>	<u>387,306</u>
	<u>543,798</u>	<u>679,624</u>	<u>260,828</u>	<u>940,452</u>	<u>1,484,250</u>
TOTAL EXPENSES	<u>\$ 35,684,361</u>	<u>\$ 7,784,861</u>	<u>\$ 4,035,751</u>	<u>\$ 11,820,612</u>	<u>\$ 47,504,973</u>

**UNITED WAY OF NEW YORK CITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 528,416	\$ (3,659,177)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	151,832	65,960
Amortization of capital lease assets	397,854	397,854
Pension related changes other than net periodic pension cost	(2,532,919)	1,499,078
Change in value of beneficial interest in perpetual trust	(51,191)	46,450
Change in discount on grants and contributions receivable	37,545	(57,778)
Change in value of capital lease obligation	496,590	490,423
Provision for uncollectible campaign receivables, net of writeoffs	(694,092)	(644,912)
Net realized and unrealized (gain) loss on investments	(662,485)	103,394
Sub-total	(2,328,450)	(1,758,708)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Campaign receivables	1,576,576	1,766,645
Government grants/contracts receivable	(1,257,864)	2,806,213
Private grants and contributions receivable	(862,590)	(710,444)
Other receivables	209,479	10,048
Prepaid expenses and other assets	76,092	(42,773)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	396,390	1,077,696
Community investment grants and awards payable	(512,934)	215,518
Campaign designations payable	(103,476)	(799,380)
Government contract awards payable	1,382,938	1,750,674
Deferred rent liability	(27,180)	(25,352)
Accrued pension and post retirement life insurance liability	(17,404)	(105,154)
Net Cash (Used in) Provided by Operating Activities	(1,468,423)	4,184,983
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(3,655,003)	(9,158,346)
Proceeds from sales of investments	7,404,519	9,082,611
Purchases of property and equipment	(356,937)	(196,282)
Net Cash Provided by (Used in) Investing Activities	3,392,579	(272,017)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of capital lease obligations	(390,468)	(390,468)
Payments of loan payable	(36,997)	(34,847)
Net Cash Used in Financing Activities	(427,465)	(425,315)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,496,691	3,487,651
Cash and cash equivalents - beginning of year	4,875,975	1,388,324
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,372,666	\$ 4,875,975
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 140,554	\$ 142,703

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 AND 2016

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

United Way of New York City ("UWNYC") is a not-for-profit community service organization recognized as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. UWNYC envisions caring communities where all individuals and families have access to quality education and the opportunity to lead healthy and financially secure lives. UWNYC raises funds on an annual basis primarily through employee payroll deductions at the workplace, grants and gifts from foundations, corporations and government contracts. UWNYC focuses on education, income stability, and health throughout New York City's five boroughs. UWNYC also works to build the capacity of local nonprofits to enable them to deliver the highest-quality services possible.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ***Basis of Accounting and Use of Estimates*** - UWNYC's financial statements have been prepared on the accrual basis of accounting. UWNYC adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. ***Financial Statement Presentation*** - UWNYC maintains its net assets under the following three classes:

Unrestricted - This represents net assets not subject to donor-imposed stipulations and that have no time restrictions. Such resources are available for support of UWNYC's operations over which the Board of Directors has discretionary control.

Temporarily Restricted - This represents net assets subject to donor-imposed restrictions that are satisfied either by the passage of time or by actions of UWNYC or the donor. In addition, earnings from permanently restricted endowment assets are classified as temporarily restricted until appropriated for operations by the Board of Directors. In addition, earnings from temporarily restricted net assets are classified as unrestricted at the end of the year. When a stipulated time restriction ends or purpose restriction is accomplished or endowment earnings are appropriated for operations, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted - This represents endowment net assets subject to donor-imposed stipulations that they be maintained permanently by UWNYC. Generally, the donors of these assets permit UWNYC to use all or part of the income earned on related investments for unrestricted or donor-specified purposes. Also included in permanently restricted net assets is a beneficial interest in a perpetual trust where UWNYC is one of six equal beneficiaries, with the investments held in perpetuity by a third party trustee.

C. ***Support and Revenue*** - Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expenses are reported as decreases in unrestricted net assets. Contributions with donor-imposed restrictions, such as time or purpose restrictions, are recorded as temporarily restricted net assets. When donor-imposed time restrictions expire, or as a donor-imposed purpose restriction is fulfilled, the temporarily restricted net assets are released to unrestricted net assets.

Investment income and net realized and unrealized gains (losses) on investments of temporarily and permanently restricted net assets are reported as follows:

- As increases (decreases) in temporarily restricted net assets if the terms of the gift impose restrictions on the current use of the investment income and unappropriated earnings from endowment funds.
- As increases (decreases) in permanently restricted net assets if the terms of the gift require that they be added back to the principal.
- As increases (decreases) in unrestricted net assets in all other cases.

UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- D. **Cash and cash equivalents** – Cash and cash equivalents include all highly liquid instruments with maturities of three months or less when acquired, except for certain cash and money market funds which are included with investments. As of June 30, 2017 and 2016, cash and cash equivalents balance of \$6,372,666 and \$4,875,975, respectively, include cash for the NYC Department of Education contracts that amounted to \$4,816,616 and \$3,802,913, respectively. UWNYP regularly monitors the availability of resources required to meet its operating needs and other contractual commitments to ensure adequate capital is available for its needs.
- E. **Investments** – Investments are carried at fair value as defined in Note 2F. Net appreciation/(depreciation) in the fair value of investments, which includes realized gains and unrealized gains and losses on those investments, is reported in the statement of activities. Cost basis is determined on the date of purchase. Securities received as gifts are recorded at fair value at the date of the gift. Investment securities are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in value of investment securities, it is possible that changes in risks in the near term could materially affect investment balances.
- F. **Fair Value Measurements** - Investments are stated at fair value. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as reported in Note 4.
- G. **Campaign Results and Campaign Donor Designations Payable** – Annual campaigns are conducted each year to raise support for charitable distributions. An unconditional promise to give is recognized as revenue at the time of the pledge, net of an allowance for uncollectible pledges.

Donors have the option to designate their contribution to another specific recognized 501(c)(3) organization. These transactions are included in the total campaign amounts raised on the statement of activities and then deducted as designations payable before arriving at net campaign results. Campaign designations payable in the statement of financial position represent amounts raised through various campaigns that are designated by donors to be paid out to other 501(c)(3) organizations.

- H. **Private Grants and Contributions Receivable** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue. Conditional promises to give are not included as contribution revenue until the conditions are substantially met. As of June 30, 2017 and 2016, UWNYP determined that no allowance for uncollectible private grant and contributions receivable was necessary. This determination was based on a combination of factors such as management's estimate of the creditworthiness of its donors, a review of individual accounts outstanding, and the aged basis of the receivables and historical experience.
- I. **Allowance for Doubtful Accounts** – UWNYP determines whether an allowance for uncollectible receivables should be provided for government grants/contracts receivable, campaign and other receivables. Such estimate is based on management's assessment of the aged basis of its receivables, current economic conditions, creditworthiness of its donors, historical experience, and collections subsequent to year end. As of June 30, 2017 and 2016, the UWNYP determined an allowance of \$524,932 and \$691,509, respectively, was necessary for campaign receivables and no allowance for government grants/contracts and other receivable.
- J. **Property and Equipment** - Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. Depreciation and amortization is calculated on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the life of the lease or the improvement. UWNYP capitalizes property and equipment with cost of \$1,000 or more and a useful life of greater than one year. Upon retirement or disposal, the asset cost and related accumulated depreciation and amortization are eliminated from the respective accounts, and the resulting gain or loss is included in the changes in net assets for the period.

UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 AND 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- K. **Community Investment Grants and Awards and Hurricane Sandy Recovery Fund** – The program services budget is approved annually by the Board of Directors on the recommendation of the Community Investment Committee. Awards support the impact areas namely; Health, Education and Income as well as services provided to strengthen New York City nonprofits. Grants and awards are accrued as commitments are made in accordance with the approved budget.
- L. **Government Contract Awards Payable** – UWNYPC administers a variety of government-funded programs. Through these programs, UWNYPC provides grants to community-based organizations in support of specific services for emergency food and shelter and hunger and nutrition assistance. The government contract awards payable reflect those expenses incurred by the community-based organizations that will be reimbursed by UWNYPC.
- M. **Deferred Rent** – UWNYPC records an adjustment to rent expense each year to reflect the straight-line method. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent in the accompanying statements of financial position.
- N. **Unfunded Pension and Post Retirement Life Insurance Liability** – UWNYPC: (a) recognizes in its statement of financial position an asset for a plan's overfunded status or a liability for a plan's underfunded status; (b) measures a plan's assets and its obligations that determine its funded status as of the end of the fiscal year; and (c) recognizes changes in the funded status in the year in which the changes occur.
- O. **In-kind Contributions** – Donated goods are recorded at their fair value on the date of receipt. Donated services are reported as contributions when the services create or enhance nonfinancial assets, would be purchased if they had not been provided by contribution, require specialized skills and are provided by individuals possessing those skills. For the years ended June 30, 2017 and 2016, UWNYPC recorded income and expense for contributed goods and services of \$96,425 and \$283,132, respectively. Such contributed goods and services are reflected in the financial statements as follows:

	2017	2016	
Special event direct expenses	\$ 53,000	\$ 204,800	
Professional fees	43,245	78,332	
	\$ 96,245	\$ 283,132	

- P. **Bequests and Legacies** - UWNYPC recognizes bequests and legacies as support when the wills have passed probate and the sum is certain.
- Q. **Functional Allocation of Expenses** - The costs of providing program and supporting services have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited.
- R. **Reclassifications** – Certain items the June 30, 2016 financial statements have been reclassified to conform with the June 30, 2017 presentation. These reclassifications had no impact on the changes in net assets for the year ended June 30, 2017.

UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 AND 2016

NOTE 3 – INVESTMENTS

Investments consist of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Fixed Income		
Cash and money market funds	\$ 168,331	\$ 1,265,261
Other fixed income	2,769,168	4,200,888
Equities		
Domestic securities	3,229,869	3,583,219
Other equities	<u>1,469,158</u>	<u>1,674,188</u>
	<u>\$ 7,636,526</u>	<u>\$ 10,723,556</u>

The components of investment return for the years ended June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Dividends and interest	\$ 168,241	\$ 195,785
Realized and unrealized gains (losses)	<u>662,485</u>	<u>(103,394)</u>
Total return on investments	<u>\$ 830,726</u>	<u>\$ 92,391</u>
Investment return used for current operations	\$ 437,549	\$ 600,796
Investment return over/(under) spending rate	<u>393,177</u>	<u>(508,405)</u>
	<u>\$ 830,726</u>	<u>\$ 92,391</u>

Investment revenues are reported net of related investment advisory fees in the statement of activities. The amount of expenses netted with revenues amounted to \$75,507 and \$71,899 for the years ended June 30, 2017 and 2016, respectively.

NOTE 4 – FAIR VALUE MEASUREMENTS

Fair value is a market-based measurement that is determined based on one or more inputs using assumptions that market participants would use in pricing the asset or liability. In determining fair value, UWNYP utilizes a valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs, to the extent possible in its assessment of fair value. These inputs also form the basis of the fair value hierarchy which is used to categorize a fair value measurement into one of three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Investments in fixed income funds, equities and equity mutual funds are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Investments in corporate obligations are valued using quoted prices in inactive markets (Level 2).

UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 AND 2016

NOTE 4 – FAIR VALUE MEASUREMENTS - (Continued)

Level 2 instruments valuations are obtained from similar assets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the year ended June 30, 2017 and 2016 there were no transfers in or out of levels 1 or 2.

Financial assets carried at fair value as of June 30, 2017 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
FINANCIAL ASSETS AT FAIR VALUE			
Fixed Income:			
Money market funds	\$ 168,331	\$ -	\$ 168,331
U.S. government bonds	-	615,476	615,476
Corporate bonds	-	2,153,692	2,153,692
Equities:			
Equity mutual funds	3,229,869	-	3,229,869
Domestic securities	<u>1,469,158</u>	<u>-</u>	<u>1,469,158</u>
	<u>4,867,358</u>	<u>2,769,168</u>	<u>7,636,526</u>
Cash surrender value - Insurance contract (See Note 7)	<u>-</u>	<u>812,849</u>	<u>812,849</u>
TOTAL FINANCIAL ASSETS AT FAIR VALUE	<u>\$ 4,867,358</u>	<u>\$ 3,582,017</u>	<u>\$ 8,449,375</u>

Financial assets carried at fair value as of June 30, 2016 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
FINANCIAL ASSETS AT FAIR VALUE			
Fixed Income:			
Money market funds	\$ 1,265,261	\$ -	\$ 1,265,261
U.S. government bonds	-	1,052,706	1,052,706
Corporate bonds	-	3,148,182	3,148,182
Equities:			
Equity mutual funds	3,583,219	-	3,583,219
Domestic securities	<u>1,674,188</u>	<u>-</u>	<u>1,674,188</u>
	<u>6,522,668</u>	<u>4,200,888</u>	<u>10,723,556</u>
Cash surrender value - Insurance contract (See Note 7)	<u>-</u>	<u>783,029</u>	<u>783,029</u>
TOTAL FINANCIAL ASSETS AT FAIR VALUE	<u>\$ 6,522,668</u>	<u>\$ 4,983,917</u>	<u>\$ 11,506,585</u>

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although UWNYPC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 AND 2016

NOTE 5 – CAMPAIGN RESULTS, NET

Campaign receivables consist of local campaign and regional campaign.

Local Campaign - Local campaign includes various workplace campaigns in the New York City service area. Local campaign funds include both undesignated and designated campaign funds. Undesignated funds are those funds designated to UWNYP and not to another specific charity by the donor. Designated funds are those funds designated to a specific charity by the donor. For such designated funds received, UWNYP pays out to the specified beneficiary as intended by the donor. The processing of designated funds are considered agency transactions and recorded as an increase in campaign revenue and a corresponding increase in donor designations.

For the years ended June 30, 2017 and 2016, such donor-designated funds amounted to \$15,401,258 and \$16,408,172, respectively, and are included as campaign revenue and donor designations in the statement of activities. The provision for uncollectible receivable related to the local campaign, as of June 30, 2017 and 2016, amounted to \$694,092 and \$644,912, respectively.

Regional Campaign - UWNYP and 21 other United Way organizations work in collaboration with a regional office of United Way Worldwide (“UWW”) to raise funds from a select group of companies located throughout the region. The regional office ceased its operations on December 31, 2013. For all regional area campaigns beginning in 2013 and thereafter, fund distribution to local United Ways in the region will be based on the methodology used for local campaigns.

Campaign receivables consists of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Local campaign	\$ 3,591,445	\$ 4,640,506
Regional campaign	<u>172,880</u>	<u>172,880</u>
	3,764,325	4,813,386
Less: allowance for doubtful accounts	<u>(524,932)</u>	<u>(691,509)</u>
	<u>\$ 3,239,393</u>	<u>\$ 4,121,877</u>

NOTE 6 – PRIVATE GRANTS AND CONTRIBUTIONS RECEIVABLE

Private grants and contributions receivable are recorded net of a discount (at a risk-adjusted rate) to reflect the present value of future cash flows and are scheduled to be collected as follows as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
One year or less	\$ 1,142,500	\$ 760,000
One year to five years	<u>1,540,000</u>	<u>1,135,000</u>
	2,682,500	1,895,000
Less: Present value discount, rates ranging from 1.01% to 1.02%	<u>(43,407)</u>	<u>(80,952)</u>
	<u>\$ 2,639,093</u>	<u>\$ 1,814,408</u>

UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 AND 2016

NOTE 7 – PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Cash surrender value - insurance	\$ 812,849	\$ 783,029
457(b) Plan	-	33,443
Deferred charges	88,050	160,042
Prepaid postage	4,909	3,536
Security deposits	-	1,850
	<u>\$ 905,808</u>	<u>\$ 981,900</u>

UWNYC is the beneficiary of an insurance contract from a donor with a face amount of \$800,000. As of June 30, 2017 and 2016, the cash surrender value of the insurance contract amounted to \$812,849 and \$783,029, respectively, and is included under prepaid expenses and other assets in the statement of financial position.

UWNYC maintains a nonqualified deferred compensation plan under code section 457(b) for certain employees. Contributions to the plan are from employees only through salary reduction agreements; there are no employer contributions. The deferred compensation plan investments are annuity contracts held at Mutual of America and UWNYC is the owner of these contracts. Participating employees are designated as the annuitants of these contracts. As of June 30, 2017 and 2016, the deferred compensation plan assets amounted to \$0 and \$33,443, respectively, and are included under prepaid expenses and other assets and accounts payable and accrued expenses in the statements of financial position.

NOTE 8 – CAPITAL LEASES ASSETS AND IMPROVEMENTS

UWNYC entered into a condominium agreement in a building located at 205 East 42nd Street. UWNYC entered into a 30-year “leasehold condominium” ownership structure with the Durst Organization for two units in the building. The leasehold condominium ownership structure provides UWNYC with an ownership interest in its units for the 30-year term of the transaction. The purchase of the leasehold condominium was classified as a capital lease. As of June 30, 2017 and 2016, the present value of the minimum lease payments at the beginning of the leasehold condominium purchase and sale agreement (discounted at an estimated incremental borrowing rate of 6%) amounted to \$8,073,867 and \$7,785,448, respectively, and is reflected as a capital lease asset and obligation in the statement of financial position. In addition, capital lease asset improvements amounted to \$2,441,800 and now are being amortized over thirty years. The Agreement includes a ground rent charge at \$18.81 per square foot to be paid annually over the life of the Agreement. The ground rent was accounted for as an operating lease (See Note 13B).

In addition, the seller provided a loan of \$2,441,800 to UWNYC for renovations and build outs of the leasehold condominium. The loan is payable over 30 years at an interest rate of 6% and principal payments commenced July 2014. The loan payable amounted to \$2,322,338 and \$2,359,335 as of June 30, 2017 and 2016, respectively.

UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 AND 2016

NOTE 8 – CAPITAL LEASES ASSETS AND IMPROVEMENTS (Continued)

Future minimum principal and interest payments on the loan payable are as follows for the years ending after June 30, 2017:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 39,278	\$ 138,272	\$ 177,550
2019	41,701	135,849	177,550
2020	44,273	133,277	177,550
2021	47,003	130,547	177,550
2022	49,902	127,648	177,550
2023-2043	<u>2,100,181</u>	<u>1,569,185</u>	<u>3,669,366</u>
	<u>\$ 2,322,338</u>	<u>\$ 2,234,778</u>	<u>\$ 4,557,116</u>

In connection with the Agreement, UWNYC delivered to the seller a clean irrevocable letter of credit for \$3 million drawn upon a commercial bank. UWNYC pledged a portion of its investments as collateral for the letter of credit. As of August 22, 2016, the letter of credit was terminated and the pledged assets were released.

During 2014, UWNYC purchased furniture through a capital lease arrangement from a leasing company. The present value of the future minimum lease payments (discounted at an estimated incremental borrowing rate of 6%) amounted to \$260,671 and \$442,968 as of June 30, 2017 and 2016, respectively.

Capital lease assets and improvements consist of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Lease Term</u>
Leasehold condominium	\$ 6,843,731	\$ 6,843,731	30 years
Leasehold condominium improvements	2,441,800	2,441,800	30 years
Furniture	<u>883,367</u>	<u>883,367</u>	5 years
Total cost	10,168,898	10,168,898	
Less: accumulated amortization	<u>(1,547,249)</u>	<u>(1,149,395)</u>	
	<u>\$ 8,621,649</u>	<u>\$ 9,019,503</u>	

Future minimum cash payments are as follows for the years ending after June 30, 2017:

	<u>Capital Lease</u>	<u>Furniture & Fixtures</u>	<u>Total</u>
2018	\$ 186,552	\$ 203,916	\$ 390,468
2019	202,832	67,972	270,804
2020	381,897	-	381,897
2021	381,897	-	381,897
2022	381,897	-	381,897
2023-2043	<u>18,132,440</u>	<u>-</u>	<u>18,132,440</u>
	<u>\$ 19,667,515</u>	<u>\$ 271,888</u>	<u>\$ 19,939,403</u>

UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 AND 2016

NOTE 9 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Lives</u>
Equipment, furniture and fixtures	\$ 779,623	\$ 453,689	3-10 years
Less: accumulated depreciation	<u>(259,250)</u>	<u>(138,421)</u>	
Net book value	<u>\$ 520,373</u>	<u>\$ 315,268</u>	

Depreciation expense amounted to \$151,832 and \$65,960 for the years ended June 30, 2017 and 2016, respectively. For the years ended June 30, 2017 and 2016, UWNYC wrote off \$31,003 and \$79,539, respectively, of fully depreciated assets that are no longer in use.

NOTE 10 – PENSION PLANS

UWNYC sponsored a 403(b) thrift plan (“403(b) Plan”) for all employees. This Plan was terminated as of December 31, 2013 and a new 401(k) Plan was started effective January 1, 2014. Employer contributions to the Plan are discretionary. For the year ended June 30, 2017, \$142,841 was contributed to the 401(k) Plan.

UWNYC has a Defined Benefit Pension Plan (the “Pension Plan”) with the benefits based on years of service and the employee’s annual average of the highest 60 consecutive months’ compensation. UWNYC’s funding policy is to contribute annually at least the minimum amount under Section 412 of the Internal Revenue Code. The Pension Plan was frozen effective June 30, 2009. Benefit accruals are not credited for any service or employment for any participant after June 30, 2009, however, vesting rights continue after June 30, 2009.

The funded status of the Pension Plan as of June 30, 2017 and 2016 follows:

	<u>2017</u>	<u>2016</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 25,146,556	\$ 25,215,559
Interest costs	918,695	1,075,470
Actual (gain) loss	(1,437,764)	1,312,460
Expense charges	(86,286)	(87,412)
Benefits paid	<u>(5,273,306)</u>	<u>(2,369,521)</u>
Benefit obligation at end of year	19,267,895	25,146,556
Fair value of plan assets	<u>18,550,640</u>	<u>22,061,955</u>
Funded status (unfunded liability)	<u>\$ (717,255)</u>	<u>\$ (3,084,601)</u>

The components of net periodic cost for the years ended June 30, 2017 and 2016, included in operating results on the Statement of Functional Expenses in payroll taxes and benefits, are as follows:

	<u>2017</u>	<u>2016</u>
Interest costs	\$ 918,695	\$ 1,075,470
Expected return on plan assets	(1,067,545)	(1,117,876)
Amortization of actuarial loss	<u>324,701</u>	<u>161,621</u>
Net periodic cost	<u>\$ 175,851</u>	<u>\$ 119,215</u>

UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 AND 2016

NOTE 10 – PENSION PLANS (Continued)

Net periodic cost (credit) is an actuarial estimate made at the beginning of the fiscal year, and includes interest cost and an estimated long-term rate of return on Plan assets of 5% as of June 30, 2017 and 2016. The net periodic cost (credit) is recorded in payroll taxes and benefits as a charge (credit) to operating expenses. The cost was \$175,851 and \$119,215 for the years ended June 30, 2017 and 2016, respectively. At the end of the fiscal year it is adjusted based on the actual rate of return, with the difference recorded as a non-operating adjustment. For the years ended June 30, 2017 and 2016, the amounts recognized were \$2,293,197 and \$(1,344,646), respectively.

The amounts recognized in unrestricted net assets as of June 30, 2017 and 2016 are as follows:

	2017	2016
Actuarial (loss)	\$ (3,185,979)	\$ (5,479,176)

Other changes in unrestricted assets and benefit obligation recognized in unrestricted net assets for the years ended June 30, 2017 and 2016 are as follows:

	2017	2016
Net actuarial gain (loss)	\$ 2,293,197	\$ (1,344,646)

The weighted assumptions used as of and for the years ended June 30, 2017 and 2016 are as follows:

	2017	2016
Discount rate	3.88%	3.76%
Expected return of plan assets*	5.00%	5.00%
Rate of compensation increase	N/A	N/A

*A rate of 5.0% was used as the investment manager's long-term expected rate of return, and is subject to change.

Pension Plan assets as of June 30, 2017 and 2016 consists of the following:

	2017	2016
<u>AXA Equitable Life Insurance Company</u>		
Guarantee Account	\$ 29,746	\$ 29,691
<u>Wells Fargo</u>		
Cash and cash equivalents	164,784	184,740
Mutual Funds:		
Fixed Income Funds	12,824,227	15,556,679
Equity Funds	5,531,883	6,290,845
	\$ 18,550,640	\$ 22,061,955

As of June 30, 2017 and 2016, all pension plan assets are carried at fair value and are classified under Level 2 of the fair value hierarchy except for cash and cash equivalents which are classified as Level 1. See Note 4 for definitions of the fair value hierarchy. UWNYP made contributions of \$250,000 for the fiscal year ending June 30, 2017, and expects to make \$300,000 in contributions for the fiscal year ending June 30, 2018.

UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 AND 2016

NOTE 10 – PENSION PLANS (Continued)

The projected benefit payments are as follows:

Year Ending June 30,		
2018	\$	1,050,352
2019		887,454
2020		873,719
2021		960,870
2022		935,126
2023-2027		5,202,621

NOTE 11 – POSTRETIREMENT LIFE INSURANCE PLAN

UWNYC offered a Post Retirement Life Insurance Plan (“Life Insurance Plan”) for retired employees. Effective January 1, 2010, the life insurance plan benefits ceased for all covered active employees whose retirement date is on or after January 1, 2010. Substantially all of UWNYC’s employees may have become eligible for those benefits if they reached normal retirement age while working for UWNYC.

The funded status of the Life Insurance Plan as of June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 2,777,212	\$ 2,547,149
Interest costs	84,381	103,827
Actual loss (gain)	(238,515)	155,079
Benefits paid	<u>(28,843)</u>	<u>(28,843)</u>
Benefit obligation at end of year	2,594,235	2,777,212
Fair value of plan assets	-	-
Funded status (unfunded liability)	<u>\$ (2,594,235)</u>	<u>\$ (2,777,212)</u>

The components of net periodic benefit cost for the years ended June 30, 2017 and 2016 include interest costs of \$84,381 and \$103,827, respectively, and is recorded in payroll taxes and benefits as an operating expense. At the end of the fiscal year it is adjusted based on the funded status of the Life Insurance Plan, with the difference recorded as a non-operating adjustment. The non-operating adjustment for the years ended June 30, 2017 and 2016 were actuarial loss (gain) of \$(238,515) and \$155,079, respectively. For the years ended June 30, 2017 and 2016, the net Life Insurance Plan related change were \$239,722 and \$(154,432), respectively.

The amounts recognized in unrestricted net assets as of June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Actuarial (gain) loss	<u>\$ (113,283)</u>	<u>\$ 125,232</u>

The weighted assumptions used as of and for the years ended June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Discount rate	3.71%	3.32%
Rate of compensation increase	N/A	N/A

UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 AND 2016

NOTE 11 – POSTRETIREMENT LIFE INSURANCE PLAN (Continued)

The projected benefit payments are as follows:

Year Ending June 30,		
2018	\$	155,143
2019		154,594
2020		154,428
2021		155,177
2022		155,586
2023-2027		796,378

NOTE 12 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Various community impact programs	\$ 3,854,218	\$ 2,835,546
Change Capital Fund	1,393,471	1,691,841
Colgate Inner City Education Fund	-	118,351
Unappropriated endowment earnings	123,191	33,724
Other time and purpose restricted	<u>1,366,593</u>	<u>4,048</u>
	<u>\$ 6,737,473</u>	<u>\$ 4,683,510</u>

Temporarily restricted net assets were released from restrictions by incurring expenses satisfying the restricted purposes or passage of time.

Permanently restricted net assets consist of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Donor restricted endowments:		
Carp Endowment	\$ 1,176,426	\$ 1,176,426
Human Care Endowment	150,617	150,617
Louis and Mary Horowitz Endowment	<u>544,591</u>	<u>544,591</u>
	<u>1,871,634</u>	<u>1,871,634</u>
Beneficial interest in perpetual trust	<u>506,500</u>	<u>455,309</u>
	<u>\$ 2,378,134</u>	<u>\$ 2,326,943</u>

UWNYC is one of the six equal beneficiaries in a trust in which investment assets are held in perpetuity by a third party trustee. UWNYC receives the annual income, which is unrestricted. Realized and unrealized appreciation (depreciation) remains part of the trust principal. The change in value of beneficial interest in perpetual trust amounted to \$51,191 and \$(46,450) for the years ended June 30, 2017 and 2016, respectively, and is included in the statement of activities. As of June 30, 2017 and 2016, beneficial interest in perpetual trust amounted to \$506,500 and \$455,309, respectively.

Donor restricted endowment funds consist of the Carp Endowment, Human Care Endowment, and Louis and Mary Horowitz Endowment with donor stipulations that they be invested in perpetuity to provide a permanent source of income. The income from these funds is classified as temporarily restricted until appropriated for operations.

UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 AND 2016

NOTE 12 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

UWNYC recognizes that New York Prudent Management of Institutional Funds Act (“NYPMIFA”) created a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund’s fair value (averaged over a period of not less than the preceding five years) in any year. In addition, and in accordance with NYPMIFA, earnings on endowments that are considered unrestricted by the donor are reflected as temporarily restricted until appropriated by the Board of Directors. As of June 30, 2017 and 2016, UWNYC reported all earnings on endowment funds as temporarily restricted net assets until appropriated by the Board for operations.

The investment policy at UWNYC is intended to provide a strong base to support the operations and mission of UWNYC. The two major investment objectives for the total portfolio are preservation of purchasing power and growth of capital. In line with these objectives, UWNYC ensures the preservation and growth of principal in a reasonable and prudent manner. The goal for equity and fixed income investments is to have a total return that exceeds an appropriate market index rate of return, net of costs and fees over a three to five-year period. Total return is defined as dividend or interest income plus realized and unrealized capital appreciation or depreciation at fair market value.

According to UWNYC’s spending policy, earnings on permanently restricted net assets will follow the terms of the permanent restrictions. Spending of all other long-term investment assets will be limited to 5% of the average portfolio balance for the previous 60 months. The calculation will be made at the beginning of each fiscal year in order to determine the amount available to spend during that year. Any spending beyond the 5% will require prior Board approval.

Changes in permanently restricted endowment net assets for year ended June 30, 2017:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 33,724	\$ 1,871,634	\$ 1,905,358
Investment activity:			
Interest and dividends	39,515	-	39,515
Unrealized and realized gain on investments	<u>152,563</u>	<u>-</u>	<u>152,563</u>
Total investment activity	192,078	-	192,078
Amount appropriated to operations	<u>(102,611)</u>	<u>-</u>	<u>(102,611)</u>
Endowment net assets, end of year	<u>\$ 123,191</u>	<u>\$ 1,871,634</u>	<u>\$ 1,994,825</u>

Changes in permanently restricted endowment net assets for year ended June 30, 2016:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 101,999	\$ 1,871,634	\$ 1,973,633
Investment activity:			
Interest and dividends	61,411	-	61,411
Unrealized and realized loss on investments	<u>(2,933)</u>	<u>-</u>	<u>(2,933)</u>
Total investment activity	58,478	-	58,478
Amount appropriated to operations	<u>(126,753)</u>	<u>-</u>	<u>(126,753)</u>
Endowment net assets, end of year	<u>\$ 33,724</u>	<u>\$ 1,871,634</u>	<u>\$ 1,905,358</u>

**UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 AND 2016**

NOTE 12 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

Endowment net assets of \$1,994,825 and \$1,905,358 are included with investments on the statements of financial position as of June 30, 2017 and 2016, respectively. Endowment net assets do not include the beneficial interest in the perpetual trust, however it is included in permanently restricted net assets.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires UWNYC to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. This deficiency can result from unfavorable market fluctuations that may occur that affect donor restricted endowment funds. There were no such deficiencies for the years ended June 30, 2017 and 2016, respectively.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. The minimum annual rentals for equipment under non-cancelable leases are as follows for the years ended after June 30, 2017:

	<u>Equipment</u>
2018	\$ 168,000
2019	191,000
2020	133,000
2021	78,000
2022	<u>39,000</u>
	<u>\$ 609,000</u>

Rent expense amounted to \$122,043 and \$99,969, respectively, for the years ended June 30, 2017 and 2016, respectively.

B. UWNYC entered into a ground lease agreement as part of the capital lease transaction as discussed in Note 8. The total minimum rental payments from inception through 2043 amount to approximately \$27 million. The deferred rent liability of \$706,224 is included in the statement of financial position related to the straight-lining of the ground lease.

Minimum annual payments for the year ended after June 30, 2017, are as follows:

	<u>Ground Rent</u>
2018	\$ 918,605
2019	918,605
2020	918,605
2021	918,605
2022	918,605
2023-2043	<u>19,290,705</u>
	<u>\$ 23,883,730</u>

C. UWNYC has a line of credit with a bank with a maximum borrowing of up to \$2.5 million. The borrowings are secured by certain accounts receivable and the maturity date is March 29, 2017. The interest rate is prime rate plus 0.5%. As of June 30, 2017 and June 30, 2016, there were no borrowings.

D. UWNYC may be subject to legal proceedings and claims which may arise in the ordinary course of its business. Management is not aware of any such matters at this time.

E. UWNYC believes it has no uncertain tax positions as of June 30, 2017 and 2016 in accordance with Accounting Standards Codification (“ASC”) Topic 740 “Income Taxes,” which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

UNITED WAY OF NEW YORK CITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 AND 2016

NOTE 14 – CONCENTRATION

Cash and cash equivalents that potentially subject UWNYP to a concentration of credit risk include cash accounts with various financial institutions that exceeded the Federal Deposit Insurance Corporation (“FDIC”) insurance limits \$250,000 by approximately \$6,129,000 and \$4,534,000 as of June 30, 2017 and 2016, respectively.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through December 19, 2017, the date the financial statements were available to be issued.